

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
March 21, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-11863

In the Matter of

CHARLES ZANDFORD,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE
ACT OF 1934 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Charles Zandford (“Respondent” or “Zandford”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Between November 1987 and August 1990, while employed as a stockbroker at the Bethesda, Maryland branch office of Dominick and Dominick, Inc. (“Dominick”), a broker-dealer registered with the Commission, Zandford engaged in a scheme to defraud his largest brokerage customer, William R. Wood (“Wood”), of his life savings, by engaging in the conduct more fully described below. Respondent, now 54, currently resides in Princeton, New Jersey.

**B. PROCEDURAL HISTORY OF THE COMMISSION’S
CIVIL ACTION AND ENTRY OF THE INJUNCTION**

2. On September 22, 1995, the Commission filed its Complaint against Zandford at Civil Action No. 95-2826 (AMD) in the United States District Court for the District of Maryland (the “Civil Action”).

3. The Commission's Complaint alleged that, between November 1987 and August 1990, while employed as a stockbroker at Dominick, Zandford misappropriated approximately \$343,000 from Wood and his daughter by liquidating, without their knowledge and consent, securities in their joint account, as well as mutual fund shares they held outside of the joint account. The Complaint further alleged that Zandford used these monies for his own personal expenses. Wood, then an elderly man with physical and mental disabilities, held a joint account with his daughter, who suffers from various psychological disorders.

4. The factual allegations of the Complaint substantially – and substantively – mirrored those set forth in the Superseding Indictment filed against Zandford in a criminal proceeding filed at United States v. Zandford, Criminal Action No. WN-94-0165 (D. Md.) (the "Criminal Action"). In the Criminal Action, on July 24, 1995, Zandford was found guilty on thirteen counts of wire fraud, for which he was sentenced to a prison term, supervised release, and ordered to pay restitution. Based on the conduct described above, the Commission's Complaint, in addition to charging Zandford with violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, also charged that Zandford had churned the Woods' joint account and, by his excessive trading, had received approximately \$24,000 in commissions.

5. The Commission moved for Partial Summary Judgment, Permanent Injunction, Disgorgement and Pre-Judgment Interest, on all charges except for the churning claim, asserting that Zandford was collaterally estopped from challenging the facts established in the criminal case, as alleged in the Superseding Indictment. The Court granted the Commission's Motion, holding that Zandford was precluded from relitigating the facts underlying his criminal conviction and that those facts conclusively established the violations alleged in the Commission's Complaint. The Final Partial Judgment and Order was entered on March 2, 1999. Having obtained substantially all of the relief requested against Zandford, the Commission abandoned its churning claim. Zandford appealed the judgment in the Civil Action to the 4th Circuit, which, on January 26, 2001, reversed the district court judgment and remanded, with instructions that the case be dismissed. See generally SEC v. Zandford, 238 F.3d 559 (4th Cir. 2001). The Commission appealed the 4th Circuit decision to the United States Supreme Court, and in its opinion of June 3, 2002, the Supreme Court reversed the decision of the Court of Appeals and remanded the case. SEC v. Zandford, 535 U.S. 813 (2002). In turn, the case was remanded by the 4th Circuit back to the district court.

6. On remand, the Commission moved to reinstate the Final Judgment against Zandford. The district court, on February 25, 2004, once again granted the requested relief, again based on the facts as proved in the Criminal Action. Zandford was permanently enjoined from future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and ordered to pay disgorgement in the amount of \$343,000. Zandford took an appeal, once again, to the 4th Circuit; this time, however, on December 3, 2004, the district court decision was affirmed. March 3, 2005 was the last day for Zandford to file a Petition for Writ of Certiorari with the United State Supreme Court, and none has been filed. Thus, the Final Order in the Civil Action is, indeed, final and subject to no further appeals.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine what, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary